

Message Text

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72

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 SWF-02

NSC-07 SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 DRC-01

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R 261952Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2079

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

UNCLAS BONN 06748

DEPT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: ECON, GW

SUBJECT: FOREIGN EXCHANGE MARKET DEVELOPMENTS -
GERMAN PRESS OPINION ON DOLLAR DECLINE

1. THE DOLLAR HAS RECENTLY COME UNDER SUBSTANTIAL
PRESSURE ON THE GERMAN FOREIGN EXCHANGE MARKETS. SPOT
DOLLARS DECLINED FROM DM 2.5230 ON APRIL 22 TO DM 2.4810
ON APRIL 26, THE LOWEST RATE SINCE NOVEMBER 5,
1973. DURING OFFICIAL FIXING HOURS, THE BUNDESBANK PUR-
CHASED \$10 MILLION ON APRIL 23 AND \$23 MILLION ON APRIL
24. BUNDESBANK INTERVENTIONS OUTSIDE THE OFFICIAL FIXING
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HAVE NOT BECOME KNOWN BUT WERE CONSIDERED POSSIBLE IN

FOREIGN EXCHANGE MARKET CIRCLES.

2. FORWARD DOLLAR DISCOUNTS INCREASED SUBSTANTIALLY AND ON APRIL 23 REACHED 5.8 PERCENT FOR ONE-MONTH MATURITIES AND 2.9 PERCENT FOR THREE-MONTH MATURITIES BEFORE DECLINING TO 3.5 PERCENT AND 2.3 PERCENT, RESPECTIVELY , ON APRIL 26.

3. DESPITE THE WEAKENING OF THE DOLLAR, THE BUNDESBANK ONLY HAD TO INTERVENE WITHIN THE JOINT FLOAT ON APRIL 23 IN FAVOR OF THE BELGIAN FRANC.

4. THE GERMAN LEADING PAPERS ATTRIBUTED THE DOLLAR DECLINE TO RUMORS THAT IN MARCH THE GERMAN TRADE SURPLUS MIGHT REACH DM 7 BILLION (FOLLOWING A RECORD SURPLUS OF DM 5.1 BILLION IN FEBRUARY), WHILE THE US MARCH TRADE BALANCE MIGHT BE IN DEFICIT. THE NEWSPAPERS FEEL SUCH EXPECTATIONS CAUSED A NEW SPECULATION ON A DM REVALUATION. THE OUTCOME OF THE UTRECHT MEETING OF THE EC FINANCE MINISTERS WAS NOT CONSIDERED TO BE A FACTOR CONTRIBUTING TO THE DOLLAR WEAKNESS. SOME PAPERS FELT THAT THE DECLINE IN THE EURO-DEUTSCHEMARK RATE HAS ALSO ENCOURAGED CAPITAL IMPORTS BY GERMAN FIRMS DESPITE THE 20 PERCENT BARDEPOT REQUIREMENT. HILLENBRAND

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